

**GRAETTINGER COMMUNITY
SCHOOL DISTRICT**

**Independent Auditor's Report
Basic Financial Statements
and Supplementary Information
Schedule of Findings**

June 30, 2005

DAVID A. MASKE

Certified Public Accountant
Spencer, Iowa

GRAETTINGER COMMUNITY SCHOOL DISTRICT

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GRAETTINGER COMMUNITY SCHOOL DISTRICT

OFFICIALS

NAME	TITLE	TERM EXPIRES
BOARD OF EDUCATION (Before September 2004 Election)		
Bill Brown, Jr.	President	2004
Rick Hopper	Vice-President	2004
Duane Hoffman	Board Member	2005
Roger Schmitt	Board Member	2005
Kevin Jensen	Board Member	2006

BOARD OF EDUCATION (After September 2004 Election)		
Bill Brown Jr.	President	2007
Rick Hopper	Vice-President	2007
Duane Hoffman	Board Member	2005
Roger Schmitt	Board Member	2005
Kevin Jensen	Board Member	2006

SCHOOL OFFICIALS		
Dan Mart	Superintendent	2005
Lisa Chapman	District Secretary/Treasurer	2005
Stephen Avery	Attorney	Indefinite

DAVID A. MASKE

Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Graettinger Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Graettinger Community School District, Graettinger, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express opinions on these financial statements based on my audit.

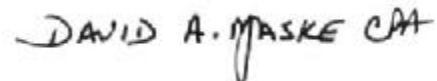
I conducted my audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Graettinger Community School District at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my reports dated November 15, 2005, on my consideration of Graettinger School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 3 through 5 and 24 through 26 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Graettinger Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplemental information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the aforementioned statements taken as a whole.



DAVID A. MASKE
Certified Public Accountant

November 15, 2005
Spencer, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Graettinger Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

General Fund revenue increased from \$2,581,286 in fiscal 2004 to \$2,652,084 in fiscal 2005, while General Fund expenditures increased from \$2,378,844 to \$2,490,266 in fiscal year 2005. The District's General Fund balance increased from \$308,383 in fiscal 2004 to \$470,201 in fiscal 2005.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Graettinger Community School District as a whole and represent an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Graettinger Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Graettinger Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the financial statements.

Required supplementary information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds.

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The Government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of net Assets includes all of the District's assets and liabilities. All of the current year's revenue and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- § Governmental activities: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- Business type activities: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its more significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) **Governmental Funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are ore or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures, and changes in fund balances.

- 2) **Proprietary funds:** Services for which the district charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) **Fiduciary funds:** The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.

- **Private-Purpose Trust Fund** – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary nets assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

Governmental Activities

For 2005, revenues for governmental activities were \$3,055,960 and expenses were \$2,782,399.

The cost of governmental activities was financed with \$1,049,547 in property and other taxes, \$1,090,642 from state sources, and \$135,352 from federal sources.

Business Type Activities

Revenues for business type activities were \$132,906 and expenses were \$127,370. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

Governmental Fund Highlights

- The General Fund balance increased from \$308,383 to \$470,201.
- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased to \$17,462 in fiscal 2005 from \$21,706 in fiscal 2004.
- The Capital Projects Fund balance increased from \$22,945 in 2004 to \$74,887 in 2005.
- The Management Fund balance increased to \$32,518 in 2005 from \$(1,181) deficit in 2004.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$15,202 at June 30, 2004 to \$20,738 at June 30, 2005.

BUDGETARY HIGHLIGHTS

The District's receipts were \$82,579 more than budgeted receipts.

Total expenditures were more than budgeted by \$139,535.

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction and other expenditures functional areas due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested \$1.3 million, net of accumulated depreciation, in a broad range of capital assets including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$101,256.

Long-Term Debt

At June 30, 2005, the district had no outstanding bonds or notes payable.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact Lisa Chapman, District Secretary / Treasurer.

BASIC FINANCIAL STATEMENTS

GRAETTINGER COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS **JUNE 30, 2005**

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
Cash and Cash Equivalents:			
Cash	\$ 742,368	\$ 15,457	\$ 757,825
Receivables:			
Property Tax:			
Delinquent.....	16,040	-0-	16,040
Succeeding Year.....	857,656	-0-	857,656
Accounts	136,797	267	137,064
Due from Other Governments	44,151	-0-	44,151
Inventories.....	-0-	5,014	5,014
Capital Assets, Net of Accumulated Depreciation	<u>1,338,312</u>	<u>-0-</u>	<u>1,338,312</u>
TOTAL ASSETS	<u>\$3,135,324</u>	<u>\$ 20,738</u>	<u>\$3,156,062</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 135,398	\$ -0-	\$ 135,398
Salaries and Benefits Payable	157,864	-0-	157,864
Deferred Revenue – Succeeding Year Property Tax.....	857,656	-0-	857,656
Long-Term Liabilities:			
Compensated Absences.....	<u>3,088</u>	<u>-0-</u>	<u>3,088</u>
TOTAL LIABILITIES	<u>\$1,154,006</u>	<u>\$ -0-</u>	<u>\$1,154,006</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt.....	\$1,338,312	\$ -0-	\$1,338,312
Restricted For:			
Management Levy	32,518	-0-	32,518
Physical Plant and Equipment Levy.....	17,462	-0-	17,462
Other Special Revenue Purposes	51,026	-0-	51,026
Unrestricted.....	<u>542,000</u>	<u>20,738</u>	<u>562,738</u>
TOTAL NET ASSETS	<u>\$1,981,318</u>	<u>\$ 20,738</u>	<u>\$2,002,056</u>

See notes to financial statements.

GRAETTINGER COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

		PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS								
		EXPENSES	CHARGES FOR SERVICE	OPERATING GRANTS, CONTRIBUTIONS & RESTRICTED INTEREST	CAPITAL GRANTS, CONTRIBUTIONS & RESTRICTED INTEREST	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL						
Functions / Programs:														
Governmental Activities:														
Instruction:														
Regular Instruction	\$	1,203,861	\$	542,088	\$	1,396	\$	-0-	\$	(660,377)	\$	-0-	\$	(660,377)
Special Instruction		461,276		-0-		135,352		-0-		(325,924)		-0-		(325,924)
Other Instruction		363,090		152,610		-0-		-0-		(210,480)		-0-		(210,480)
	\$	<u>2,028,227</u>	\$	<u>694,698</u>	\$	<u>136,748</u>	\$	<u>-0-</u>	\$	<u>(1,196,781)</u>	\$	<u>-0-</u>	\$	<u>(1,196,781)</u>
Support Services:														
Student Services	\$	16,872	\$	-0-	\$	-0-	\$	-0-	\$	(16,872)	\$	-0-	\$	(16,872)
Instructional Staff Services		10,156		-0-		-0-		-0-		(10,156)		-0-		(10,156)
Administration Services		247,625		48,892		-0-		-0-		(198,733)		-0-		(198,733)
Operation & Maintenance of Plant Services		271,527		-0-		35,433		-0-		(236,094)		-0-		(236,094)
Transportation Services		95,649		-0-		-0-		-0-		(95,649)		-0-		(95,649)
	\$	<u>641,829</u>	\$	<u>48,892</u>	\$	<u>35,433</u>	\$	<u>-0-</u>	\$	<u>(557,504)</u>	\$	<u>-0-</u>	\$	<u>(557,504)</u>
Non-Instructional Programs	\$	<u>-0-</u>	\$	<u>-0-</u>	\$	<u>-0-</u>	\$	<u>-0-</u>	\$	<u>-0-</u>	\$	<u>-0-</u>	\$	<u>-0-</u>
Other Expenditures:														
Facilities Acquisition	\$	-0-	\$	-0-	\$	-0-	\$	-0-	\$	-0-	\$	-0-	\$	-0-
AEA Flowthrough		87,596		-0-		87,596		-0-		-0-		-0-		-0-
	\$	<u>87,596</u>	\$	<u>-0-</u>	\$	<u>87,596</u>	\$	<u>-0-</u>	\$	<u>-0-</u>	\$	<u>-0-</u>	\$	<u>-0-</u>
Total Governmental Activities	\$	2,757,652	\$	743,590	\$	259,777	\$	-0-	\$	(1,754,285)	\$	-0-	\$	(1,754,285)
Business Type Activities:														
Non-Instructional Programs:														
Food Service Operations		127,370		75,948		56,958		-0-		-0-		5,536		5,536
TOTAL	\$	<u>2,885,022</u>	\$	<u>819,538</u>	\$	<u>316,735</u>	\$	<u>-0-</u>	\$	<u>(1,754,285)</u>	\$	<u>5,536</u>	\$	<u>(1,748,749)</u>
General Revenue:														
Property Tax Levied For:														
General Purpose						849,312		-0-		849,312		-0-		849,312
Local Option Sales and Service Tax						112,639		-0-		112,639		-0-		112,639
Unrestricted State Grants						1,090,642		-0-		1,090,642		-0-		1,090,642
TOTAL GENERAL REVENUES						<u>2,052,593</u>		<u>-0-</u>		<u>2,052,593</u>		<u>-0-</u>		<u>2,052,593</u>
Change in Net Assets						\$	298,308	\$	5,536	\$	303,844			
Net Assets – Beginning of Year							1,683,010		15,202		1,698,212			
Net Assets – End of Year						\$	1,981,318	\$	20,738	\$	2,002,056			

See notes to financial statements.

GRAETTINGER COMMUNITY SCHOOL DISTRICT**BALANCE SHEET
GOVERNMENTAL FUNDS**

JUNE 30, 2005

	GENERAL	CAPITAL PROJECTS	NONMAJOR SPECIAL REVENUE	TOTAL
<u>ASSETS</u>				
Cash and Cash Equivalents:				
Cash	\$ 597,321	\$ 45,391	\$ 99,656	\$ 742,368
Receivables:				
Property Tax:				
Delinquent.....	14,151	-0-	1,889	16,040
Succeeding Year.....	756,015	-0-	101,641	857,656
Accounts	136,797	-0-	-0-	136,797
Due from Other Governments	<u>14,655</u>	<u>29,496</u>	<u>-0-</u>	<u>44,151</u>
TOTAL ASSETS	<u>\$1,518,939</u>	<u>\$ 74,887</u>	<u>\$ 203,186</u>	<u>\$1,797,012</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 134,859	\$ -0-	\$ 539	\$ 135,398
Salaries and Benefits Payable	157,864	-0-	-0-	157,864
Deferred Revenue:				
Succeeding Year Property Tax.....	<u>756,015</u>	<u>-0-</u>	<u>101,641</u>	<u>857,656</u>
TOTAL LIABILITIES	\$1,048,738	\$ -0-	\$ 102,180	\$1,150,918
<u>FUND BALANCES</u>				
Unreserved	<u>470,201</u>	<u>74,887</u>	<u>101,006</u>	<u>646,094</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$1,518,939</u>	<u>\$ 74,887</u>	<u>\$ 203,186</u>	<u>\$1,797,012</u>

See notes to financial statements.

GRAETTINGER COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

JUNE 30, 2005

Total Fund Balances of Governmental Funds (Page 10) \$ 646,094

Amounts reported for governmental activities in the
Statement of Net Assets are different because:

Capital Assets used in governmental activities are not
financial resources and, therefore, are not reported as
assets in the governmental funds 1,338,312

Long-term liabilities, including bonds and notes payable
and compensated absences, are not due and payable in
the current period and, therefore, are not reported in the
funds (3,088)

Net Assets of Governmental Activities (Page 7) \$ 1,981,318

See notes to financial statements.

GRAETTINGER COMMUNITY SCHOOL DISTRICT**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

YEAR ENDED JUNE 30, 2005

	GENERAL	CAPITAL PROJECTS	NONMAJOR SPECIAL REVENUE	TOTAL
Revenues:				
Local Source:				
Local Tax	\$ 834,240	\$ 112,639	\$ 102,668	\$1,049,547
Tuition	424,218	-0-	-0-	424,218
Other	167,632	-0-	188,569	356,201
Intermediate Sources.....	-0-	-0-	-0-	-0-
State Sources	1,090,642	-0-	-0-	1,090,642
Federal Sources	<u>135,352</u>	<u>-0-</u>	<u>-0-</u>	<u>135,352</u>
TOTAL REVENUES	<u>\$2,652,084</u>	<u>\$ 112,639</u>	<u>\$ 291,237</u>	<u>\$3,055,960</u>
Expenditures:				
Current:				
Instruction:				
Regular Instruction	\$1,196,902	\$ -0-	\$ 27,190	\$1,224,092
Special Instruction	461,276	-0-	-0-	461,276
Other Instruction	<u>240,826</u>	<u>-0-</u>	<u>122,264</u>	<u>363,090</u>
	<u>\$1,899,004</u>	<u>\$ -0-</u>	<u>\$ 149,454</u>	<u>\$2,048,458</u>
Support Services:				
Student Services	\$ 16,872	\$ -0-	\$ -0-	\$ 16,872
Instructional Staff Services.....	10,156	-0-	-0-	10,156
Administration Services.....	244,511	-0-		244,511
Operation & Maintenance of				
Plant Services.....	169,457	-0-	73,912	243,369
Transportation Services.....	<u>62,670</u>	<u>-0-</u>	<u>8,070</u>	<u>70,740</u>
	<u>\$ 503,666</u>	<u>\$ -0-</u>	<u>\$ 81,982</u>	<u>\$ 585,648</u>
Non-Instructional Programs	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Other Expenditures:				
Facility Acquisition	\$ -0-	\$ 60,697	\$ -0-	\$ 60,697
AEA Flowthrough	<u>87,596</u>	<u>-0-</u>	<u>-0-</u>	<u>87,596</u>
	<u>\$ 87,596</u>	<u>\$ 60,697</u>	<u>\$ -0-</u>	<u>\$ 148,293</u>
TOTAL EXPENDITURES	<u>\$2,490,266</u>	<u>\$ 60,697</u>	<u>\$ 231,436</u>	<u>\$2,782,399</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ 161,818	\$ 51,942	\$ 59,801	\$ 273,561
FUND BALANCES – BEGINNING OF YEAR	<u>308,383</u>	<u>22,945</u>	<u>41,205</u>	<u>372,533</u>
FUND BALANCES – END OF YEAR	<u>\$ 470,201</u>	<u>\$ 74,887</u>	<u>\$ 101,006</u>	<u>\$ 646,094</u>

See notes to financial statements.

GRAETTINGER COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

Net Change in Fund Balances - Total Governmental Funds (Page 10) \$ 273,561

Amounts reported for governmental activities in the
Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for Capital Assets	\$ 123,353	
Depreciation Expense	<u>(101,256)</u>	22,097

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated Absences - Decrease	2,650
---------------------------------------	-------

Capital Assets at June 30, 2004 increased to include land	<u>87,252</u>
--	---------------

Change in Net Assets of Governmental Activities (Page 7) \$ 385,560

GRAETTINGER COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS PROPRIETARY FUND

JUNE 30, 2005

	<u>School Nutrition</u>
 <u>ASSETS</u>	
Cash and Cash Equivalents.....	\$ 15,457
Receivables – Accounts.....	5,014
Inventories.....	<u>267</u>
 TOTAL ASSETS	 <u>\$ 20,738</u>
 <u>LIABILITIES</u>	
None.....	<u>\$ -0-</u>
 <u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt.....	\$ -0-
Unrestricted.....	<u>20,738</u>
 TOTAL NET ASSETS	 <u><u>\$ 20,738</u></u>

See notes to financial statements.

GRAETTINGER COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2005

	<u>School Nutrition</u>
Operating Revenues:	
Local Sources:	
Charges for Service	\$ 75,948
Operating Expenses:	
Food Service Operations:	
Non-Instructional Programs:	
Salaries and Benefits	\$ 46,202
Benefits	10,914
Supplies	<u>70,254</u>
TOTAL OPERATING EXPENSES	<u>\$ 127,370</u>
OPERATING LOSS	\$ (51,422)
Non-Operating Revenues:	
State Sources	\$ 1,857
Federal Sources	<u>55,101</u>
TOTAL NON-OPERATING REVENUES	<u>\$ 56,958</u>
CHANGE IN NET ASSETS	\$ 5,536
NET ASSETS – BEGINNING OF YEAR	<u>15,202</u>
NET ASSETS – END OF YEAR	<u>\$ 20,738</u>

See notes to financial statements.

GRAETTINGER COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS PROPRIETARY FUND

YEAR ENDED JUNE 30, 2005

	<u>School Nutrition</u>
Cash Flows from Operating Activities:	
Cash Received from Sale of Lunches and Breakfasts	\$ 75,681
Cash Paid to Employees for Services	(57,116)
Cash Paid to Suppliers for Goods or Services	(58,994)
NET CASH (USED) BY OPERATING ACTIVITIES	<u>\$ (40,429)</u>
Cash Flows from Non-Capital Financing Activities:	
State Grants Received.....	\$ 1,857
Federal Grants Received.....	<u>45,762</u>
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>\$ 47,619</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 7,190
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>8,267</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 15,457</u></u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating Loss	\$ (51,422)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Commodities Used	9,339
Decrease in Inventories	1,921
(Increase) in Receivables	<u>(267)</u>
NET CASH (USED) BY OPERATING ACTIVITIES	<u><u>\$ (40,429)</u></u>

Non-Cash Investing, Capital and Financing Activities:

During the year ended June 30, 2005, the District received \$9,339 of federal commodities.

GRAETTINGER COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND

JUNE 30, 2005

	<u>Private Purpose Trust Scholarship</u>
 <u>ASSETS</u>	
Cash and Pooled Investments	\$ 4,600
TOTAL ASSETS	\$ 4,600
 <u>LIABILITIES</u>	
None.....	\$ -0-
 <u>NET ASSETS</u>	
Reserved for Scholarships.....	\$ 4,600

See notes to financial statements.

GRAETTINGER COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2005

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local Sources:	
Interest Income	\$ 84
Deductions:	
Support Sources:	
Scholarships Awarded	<u>84</u>
CHANGE IN NET ASSETS	\$ -0-
NET ASSETS – BEGINNING OF YEAR	<u>4,600</u>
NET ASSETS – END OF YEAR	<u><u>\$ 4,600</u></u>

GRAETTINGER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Graettinger Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Graettinger, Iowa, and the predominate agricultural territory in the surrounding counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. REPORTING ENTITY

For financial reporting purposes, Graettinger Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. Graettinger Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

B. BASIS OF PRESENTATION

Government-Wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

GRAETTINGER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED:

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

GRAETTINGER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING – CONTINUED:

The proprietary fund of the District applied all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standard Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records of the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. ASSETS, LIABILITIES AND FUND EQUITY

The following accounting policies are followed in preparing the combined balance sheet:

Cash, Pooled Investments, and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental fund types is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property taxes receivable represents unpaid taxes from the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and the fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2004.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

GRAETTINGER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

D. ASSETS, LIABILITIES AND FUND EQUITY – CONTINUED:

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements Other Than Buildings	10,000
Furniture and Equipment:	
School Nutrition Fund Equipment	500
Other Furniture and Equipment	2,000

Capital Assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements Other Than Buildings	20-50 years
Furniture and Equipment	5-15 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

GRAETTINGER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

D. ASSETS, LIABILITIES AND FUND EQUITY – CONTINUED:

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. BUDGETS AND BUDGETARY ACCOUNTING

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements in the instruction and other expenditures functional areas exceeded the amounts budgeted.

NOTE 2 - CASH AND POOLED INVESTMENTS:

The District's deposits in banks at June 30, 2005, were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies, and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

NOTE 3 – DUE FROM AND DUE TO OTHER FUNDS:

There were no interfund receivables or payables at June 30, 2005.

NOTE 4 – INTERFUND TRANSFERS:

There were no interfund transfers for the year ended June 30, 2005.

GRAETTINGER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

JUNE 30, 2005

NOTE 5 – CAPITAL ASSETS:

Capital Assets activity for the year ended June 30, 2005, was as follows :

	BALANCE BEGINNING OF YEAR	INCREASES	DECREASES	BALANCE END OF YEAR
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land.....	\$ -0-	\$ 87,252	\$ -0-	\$ 87,252
Capital Assets Being Depreciated:				
Buildings	\$ 1,540,424	\$ -0-	\$ -0-	\$ 1,540,424
Improvements Other Than Buildings	62,650	13,683	-0-	76,333
Furniture and Equipment.....	949,758	109,670	-0-	1,059,428
Total Capital Assets Being Depreciated	\$ 2,552,832	\$ 123,353	\$ -0-	\$ 2,676,185
LESS - Accumulated Depreciation For:				
Buildings	\$ 800,800	\$ 30,808	\$ -0-	\$ 831,608
Improvements Other Than Buildings	1,566	3,475	-0-	5,041
Furniture and Equipment.....	521,503	66,973	-0-	588,476
Total Accumulated Depreciation	\$ 1,323,869	\$ 101,256	\$ -0-	\$ 1,425,125
Total Capital Assets Being Depreciated, Net	\$ 1,228,963	\$ 22,097	\$ -0-	\$ 1,251,060
Governmental Activities Capital Assets, Net	\$ 1,228,963	\$ 109,349	\$ -0-	\$ 1,338,312
Business Type Activities:				
Furniture and Equipment.....	\$ 19,836	\$ -0-	\$ -0-	\$ 19,836
LESS – Accumulated Depreciation	19,836	-0-	-0-	19,836
Business Type Activities Capital Assets, Net	\$ -0-	\$ -0-	\$ -0-	\$ -0-

Depreciation expense was charged to the following functions:

Governmental Activities:	
Instruction:	
Regular	\$ 42,425
Support Services:	
Administration.....	3,114
Operation and Maintenance of Plant.....	30,808
Transportation.....	24,909
Total Depreciation Expense – Governmental Activities	\$ 101,256
Business Type Activities:	
Food Service Operations.....	\$ -0-

NOTE 6 – LONG-TERM LIABILITIES:

Changes in long-term liabilities for the year ended June 30, 2005, are summarized as follows:

	BALANCE BEGINNING OF YEAR	ADDITIONS	REDUCTIONS	BALANCE END OF YEAR	DUE WITHIN ONE YEAR
Compensated Absences	\$ 5,738	\$ 3,088	\$ 5,738	\$ 3,088	\$ 3,088

GRAETTINGER COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS - CONTINUED

JUNE 30, 2005

NOTE 7 - PENSION AND RETIREMENT BENEFITS:

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004, and 2003. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2005, 2004, and 2003, were \$69,924, \$67,248, and \$61,126 respectively, equal to the required contributions for each year.

NOTE 8 - RISK MANAGEMENT:

Graettinger Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9 - AREA EDUCATION AGENCY:

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$87,596 for the year ended June 30, 2005, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

NOTE 10 – RELATED PARTY TRANSACTIONS:

The District has transactions between the District and District officials totaling \$6,078 during the year ended June 30, 2005.

REQUIRED SUPPLEMENTARY INFORMATION

GRAETTINGER COMMUNITY SCHOOL DISTRICT

**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND
REQUIRED SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2005

	GOVERNMENTAL FUNDS ACTUAL	PROPRIETARY FUND ACTUAL	TOTAL ACTUAL	BUDGETED AMOUNTS FINAL	FINAL TO ACTUAL VARIANCE
RECEIPTS:					
Local Sources	\$ 1,803,302	\$ 75,681	\$ 1,878,983	\$ 1,377,601	\$ 501,382
Intermediate Sources	-0-	-0-	-0-	350,000	(350,000)
State Sources	1,090,642	1,857	1,092,499	1,167,416	(74,917)
Federal Sources	<u>135,352</u>	<u>45,762</u>	<u>181,114</u>	<u>175,000</u>	<u>6,114</u>
TOTAL RECEIPTS	<u>\$ 3,029,296</u>	<u>\$ 123,300</u>	<u>\$ 3,152,596</u>	<u>\$ 3,070,017</u>	<u>\$ 82,579</u>
DISBURSEMENTS:					
Instruction	\$ 2,072,550	\$ -0-	\$ 2,072,550	\$ 1,938,731	\$ (133,819)
Support Services	585,648	-0-	585,648	593,700	8,052
Non-Instructional Programs	-0-	116,110	116,110	120,000	3,890
Other Expenditures	<u>148,293</u>	<u>-0-</u>	<u>148,293</u>	<u>130,635</u>	<u>(17,658)</u>
TOTAL DISBURSEMENTS	<u>\$ 2,806,491</u>	<u>\$ 116,110</u>	<u>\$ 2,922,601</u>	<u>\$ 2,783,066</u>	<u>\$ (139,535)</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>\$ 222,805</u>	<u>\$ 7,190</u>	<u>\$ 229,995</u>	<u>\$ 286,951</u>	<u>\$ (56,956)</u>
OTHER FINANCING SOURCES, Net	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	<u>\$ 222,805</u>	<u>\$ 7,190</u>	<u>\$ 229,995</u>	<u>\$ 286,951</u>	<u>\$ (56,956)</u>
BALANCES - BEGINNING OF YEAR	<u>519,563</u>	<u>8,267</u>	<u>527,830</u>	<u>403,233</u>	<u>124,597</u>
BALANCES - END OF YEAR	<u>\$ 742,368</u>	<u>\$ 15,457</u>	<u>\$ 757,825</u>	<u>\$ 690,184</u>	<u>\$ 67,641</u>

See accompanying independent auditor's report.

GRAETTINGER COMMUNITY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE – BUDGET TO GAAP RECONCILIATION REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2005

	-----Governmental Funds-----		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 3,029,296	\$ 26,664	\$ 3,055,960
Expenditures.....	<u>2,806,491</u>	<u>(24,092)</u>	<u>2,782,399</u>
Net	\$ 222,805	\$ 50,756	\$ 273,561
 BEGINNING FUND BALANCES	 <u>519,563</u>	 <u>(147,030)</u>	 <u>372,533</u>
ENDING FUND BALANCES	<u>\$ 742,368</u>	<u>\$ (96,274)</u>	<u>\$ 646,094</u>

	-----Proprietary Fund Enterprise-----		
	Cash Basis	Accrual Adjust- ments	Accrual Basis
Revenues	\$ 123,300	\$ 9,606	\$ 132,906
Expenditures.....	<u>116,110</u>	<u>11,260</u>	<u>127,370</u>
Net	\$ 7,190	\$ (1,654)	\$ 5,536
 Beginning Net Assets	 <u>8,267</u>	 <u>6,935</u>	 <u>15,202</u>
Ending Net Assets	<u>\$ 15,457</u>	<u>\$ 5,281</u>	<u>\$ 20,738</u>

See accompanying independent auditor's report.

GRAETTINGER COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING

YEAR ENDED JUNE 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2005, disbursements in the instruction and other expenditures functions exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

GRAETTINGER COMMUNITY SCHOOL DISTRICT**COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS**

JUNE 30, 2005

	MANAGE- MENT LEVY	STUDENT ACTIVITY	PHYSICAL PLANT AND EQUIPMENT LEVY	TOTAL
<u>ASSETS</u>				
Cash and Pooled Investments	\$ 31,250	\$ 51,026	\$ 17,380	\$ 99,656
Receivables:				
Property Tax:				
Delinquent	1,268	-0-	621	1,889
Succeeding Year	<u>67,749</u>	<u>-0-</u>	<u>33,892</u>	<u>101,641</u>
TOTAL ASSETS	<u>\$ 100,267</u>	<u>\$ 51,026</u>	<u>\$ 51,893</u>	<u>\$ 203,186</u>
<u>LIABILITIES AND FUND EQUITY</u>				
Liabilities:				
Accounts Payable	\$ -0-	\$ -0-	\$ 539	\$ 539
Deferred Revenue:				
Succeeding Year Property Tax	<u>67,749</u>	<u>-0-</u>	<u>33,892</u>	<u>101,641</u>
TOTAL LIABILITIES	<u>\$ 67,749</u>	<u>\$ -0-</u>	<u>\$ 34,431</u>	<u>\$ 102,180</u>
Fund Equity:				
Unreserved Fund Balances	<u>\$ 32,518</u>	<u>\$ 51,026</u>	<u>\$ 17,462</u>	<u>\$ 101,006</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 100,267</u>	<u>\$ 51,026</u>	<u>\$ 51,893</u>	<u>\$ 203,186</u>

See accompanying independent auditor's report.

GRAETTINGER COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR SPECIAL REVENUE FUNDS

YEAR ENDED JUNE 30, 2005

	MANAGE- MENT LEVY	STUDENT ACTIVITY	PHYSICAL PLANT AND EQUIPMENT LEVY	TOTAL
Revenues:				
Local Sources:				
Local Tax	\$ 68,433	\$ -0-	\$ 34,235	\$ 102,668
Other	<u>526</u>	<u>152,610</u>	<u>35,433</u>	<u>188,569</u>
TOTAL REVENUES	<u>\$ 68,959</u>	<u>\$ 152,610</u>	<u>\$ 69,668</u>	<u>\$ 291,237</u>
Expenditures:				
Current:				
Instruction:				
Regular Instruction.....	\$ 27,190	\$ -0-	\$ -0-	\$ 27,190
Other Instruction	-0-	122,264	-0-	122,264
Support Services:				
Operation & Maintenance of				
Plant Services	-0-	-0-	73,912	73,912
Transportation Services.....	<u>8,070</u>	<u>-0-</u>	<u>-0-</u>	<u>8,070</u>
TOTAL EXPENDITURES	<u>\$ 35,260</u>	<u>\$ 122,264</u>	<u>\$ 73,912</u>	<u>\$ 231,436</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 33,699	\$ 30,346	\$ (4,244)	\$ 59,801
FUND BALANCES (DEFICIT) – BEGINNING OF YEAR	<u>(1,181)</u>	<u>20,680</u>	<u>21,706</u>	<u>41,205</u>
FUND BALANCES – END OF YEAR	<u>\$ 32,518</u>	<u>\$ 51,026</u>	<u>\$ 17,462</u>	<u>\$ 101,006</u>

See Accompanying Independent Auditor's Report.

GRAETTINGER COMMUNITY SCHOOL DISTRICT**SCHEDULE OF CHANGES IN SPECIAL REVENUE FUNDS
ACTIVITY ACCOUNTS**

YEAR ENDED JUNE 30, 2005

ACCOUNT	BALANCE BEGINNING OF YEAR	REVENUES	EXPEND- ITURES	INTER- FUND- TRANSFERS	BALANCE END OF YEAR
Student Council	\$ 2,055	\$ 15,667	\$ 13,142	\$ 3,000	\$ 7,580
Future Farmers of America	942	22,563	21,424	-0-	2,081
Cheerleaders	327	6,249	6,146	-0-	430
Future Homemakers of America	66	-0-	-0-	(66)	-0-
Honor Society	1,321	-0-	260	66	1,127
Speech/Drama	-0-	600	384	-0-	216
Athletics	5,082	64,005	43,809	(499)	24,779
Class of 2004	192	-0-	192	-0-	-0-
Class of 2005	3,311	1,824	5,135	-0-	-0-
Class of 2006	426	12,775	10,127	-0-	3,074
Class of 2007	-0-	855	150	-0-	705
Elementary	-0-	887	807	-0-	80
Annual	794	6,432	5,064	-0-	2,162
Band	311	669	924	-0-	56
Vocal Music	1	600	281	(1)	319
Book Rental	-0-	5,363	5,363	-0-	-0-
Miscellaneous	3,000	9,616	2,763	(3,000)	6,853
Library	103	45	30	-0-	118
Summer Program	(500)	-0-	-0-	500	-0-
Interest	-0-	164	-0-	-0-	164
Principal's Office	116	2,461	1,768	-0-	809
Art	146	-0-	-0-	-0-	146
Girls Basketball	386	-0-	386	-0-	-0-
Foundation	2,601	1,208	3,809	-0-	-0-
Play	-0-	627	300	-0-	327
TOTAL	\$ 20,680	\$ 152,610	\$ 122,264	\$ -0-	\$ 51,026

See accompanying independent auditor's report.

GRAETTINGER COMMUNITY SCHOOL DISTRICT**SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS**

YEARS ENDED JUNE 30,

 MODIFIED ACCRUAL BASIS			
	2005	2004	2003	2002
Revenues:				
Local Sources:				
Local Tax:	\$ 1,049,547	\$ 932,582	\$ 894,696	\$ 868,900
Tuition	424,218	94,093	113,764	23,009
Other	356,201	173,639	149,526	178,053
Intermediate Sources	-0-	362,968	160,529	163,366
State Sources	1,090,642	1,112,187	1,189,779	1,135,833
Federal Sources	<u>135,352</u>	<u>126,899</u>	<u>207,445</u>	<u>117,947</u>
TOTAL	<u>\$ 3,055,960</u>	<u>\$ 2,802,368</u>	<u>\$ 2,715,739</u>	<u>\$ 2,487,108</u>
Expenditures				
Instruction:				
Regular Instruction	\$ 1,224,092	\$ 981,371	\$ 1,016,936	\$ 960,138
Special Instruction	461,276	424,182	390,956	367,662
Other Instruction	363,090	546,488	370,251	508,058
Support Services:				
Student Services	16,872	2,638	1,362	35,598
Instructional Staff Services	10,156	40,687	105,979	97,946
Administration Services	244,511	232,608	279,056	309,326
Operation & Maintenance of Plant Services	243,369	241,671	156,445	149,990
Transportation Services	70,740	59,614	52,368	48,541
Central Support Services	-0-	-0-	5,850	3,818
Non-Instructional Programs	-0-	2,219	-0-	-0-
Other Expenditures:				
Facilities Acquisition	60,697	14,186	32,476	84,308
AEA Flowthrough	<u>87,596</u>	<u>82,309</u>	<u>88,607</u>	<u>86,814</u>
TOTAL	<u>\$ 2,782,399</u>	<u>\$ 2,627,973</u>	<u>\$ 2,500,286</u>	<u>\$ 2,652,199</u>

See accompanying independent auditor's report.

DAVID A. MASKE

Certified Public Accountant

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**Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

To the Board of Education
Graettinger Community School District
Graettinger, Iowa

I have audited the financial statements of Graettinger Community School District, as of and for the year ended June 30, 2005, and have issued my report thereon dated November 15, 2005. I conducted my audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Graettinger Community School District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable conditions described above, I believe item 05-1-A, is a material weakness. Prior year reportable conditions have all been resolved except for item 05-1-A.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Graettinger Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Graettinger Community School District and other parties to whom Graettinger Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the Graettinger Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

November 15, 2005
Spencer, Iowa

DAVID A. MASKE CPA

DAVID A. MASKE
Certified Public Accountant

GRAETTINGER COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS YEAR ENDED JUNE 30, 2005

PART I - FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

- 05-I-A Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual handles most of the financial duties, including recording financial data and reconciling accounts.

RECOMMENDATION - I realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

RESPONSE - We will continue our review our procedures and implement additional controls where possible.

CONCLUSION - Response accepted.

PART II - OTHER FINDINGS RELATED TO STATUTORY REPORTING:

- 05-II-A Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005.

- 05-II-B Certified Budget - Disbursements for the year ended June 30, 2005, exceeded the certified budget amounts in instruction and other expenditures function.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

- 05-II-C Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in the Attorney General's opinion dated April 25, 1979, were noted.

- 05-II-D Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

GRAETTINGER COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS YEAR ENDED JUNE 30, 2005

- 05-II-E Business Transactions - Business transactions between the District and District officials are detailed as follows:

<u>NAME, TITLE AND BUSINESS CONNECTION</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>
Bill Brown Jr., Manager Energy Panels Structures	Building Improvements	\$ 6,078

The transaction with the board member appears to represent a conflict of interest, since it exceeds the maximum allowable dollar amount of \$2,500.

Recommendation - The board could eliminate further questions regarding conflict of interest by going through the competitive bidding process.

Response - We will consider bidding for future purchases.

Conclusion - Response accepted.

- 05-II-F Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 05-II-G Board Minutes - No transactions were found that I believe should have been approved in the Board minutes but were not.
- 05-II-H Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.
- 05-II-I Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the District's investment policies were noted.
- 05-II-J Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and I noted no significant deficiencies in the amounts reported.